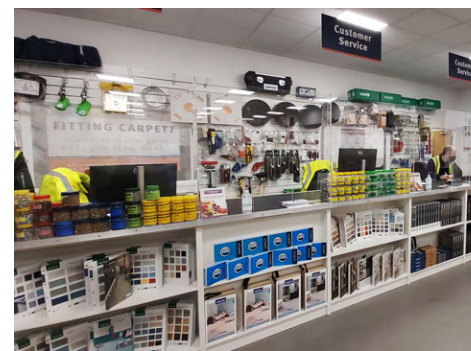


RESULTS PRESENTATION

Final results for the year ended 31 December 2021

Europe's leading floorcoverings distributor





Chris Payne
Chief Executive
and Chief Financial Officer

- About Us
- Financial Overview
- Strategy and Operations
- 2021 Financial Performance
- Surplus Capital Return
- ESG Strategy
- Post Period End and Current Trading

ABOUT US

Europe's leading floorcoverings distributor

Market Leading

- 30 years operating
- 24,830 trade customer accounts
- Most comprehensive service offering
- 39,000 SKUs

Nationwide Operations

- 66 businesses
- 21 distribution hubs and centres
- 53 trade counters
- Dedicated sales teams

Strong Foundation

- Financial strength
- Track record, including governance and returns
- Business change strategy delivering

Growth Opportunities

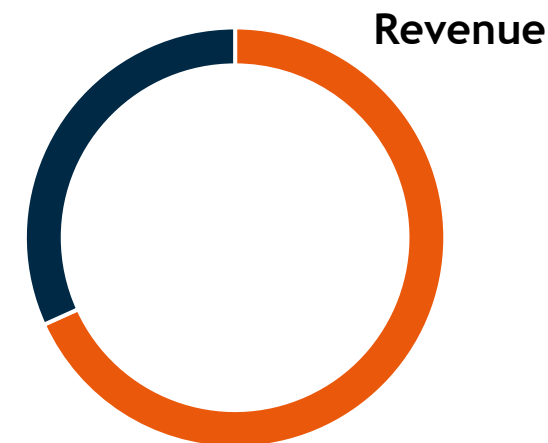
- Targeting increased share of £3bn UK market
- On track for 7.5% operating margin target



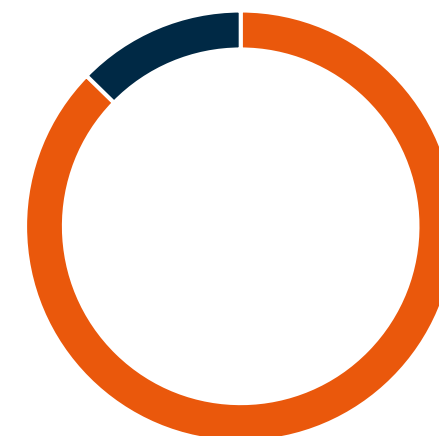
2021 FINANCIAL HIGHLIGHTS

Operated effectively throughout despite COVID-19 and industry issues

- Revenue +15.4% at £667.2m, a strong rebound from 2020 which was materially impacted by COVID-19 related closures of operations in H1 20 (2020: £578.1m)
- Gross margin increased to a record 33.0% (2020: 30.8%) owing to the inflationary environment and other factors including business change strategy
- Underlying operating margin improved to 5.6% (2020: 3.0%), on track to reach stated 7.5% target during 2023 through increasing realisation of benefits
- Underlying profit before tax of £35.8m (2020: £15.4m)
- Average net funds (excluding lease liabilities) of £38.3m, strong recovery from 2020 net debt position caused by COVID-19 (2020: £8.6m average net debt)
- Net funds position (including lease liabilities) at 31 Dec 2021 of £17.7m (1 Jan 2021: £8.3m)
- Proposed final ordinary dividend of 8.6p in line with the Capital Allocation Parameters, giving total dividend payout in respect of 2021 of 16.4p
- In addition, a surplus capital return totaling £30 million (see page 25)



Residential sector	68.5%
Commercial sector	31.5%



UK	87.8%
Continental Europe*	12.2%

*Continental Europe: France and the Netherlands

All financial results represent continuing operations only, and exclude the contribution from the Swiss business Belcolor in the year, and the comparator year(s), following its disposal in May 2021

Underlying is before non-underlying items, which includes i) amortisation of acquired intangible assets, ii) impairment of goodwill and intangible assets, iii) property disposal profit, iv) business restructuring costs, and v) impairment of property, plant and equipment and inventory (following a fire)

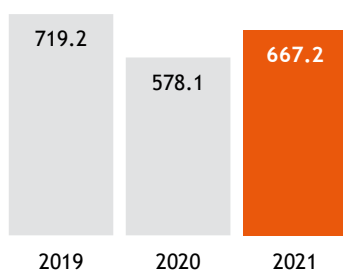
FINANCIAL TRACK RECORD

Strong recovery from impact of COVID-19

Revenue

£667.2m
+15.4%

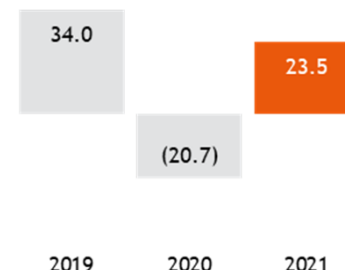
(2020: £578.1m)



Statutory basic (loss)/earnings per share

23.5p
+213.5%

(2020: (20.7)p)

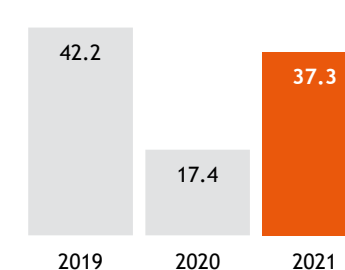


Underlying operating profit

£37.3m
+114.4%

(2020: £17.4m)

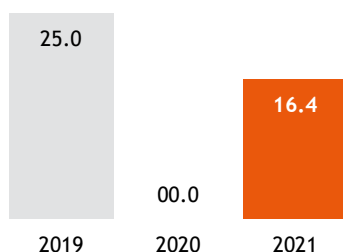
Statutory operating profit £29.1m
(2020: £(12.2)m loss)



Total dividend

16.4p

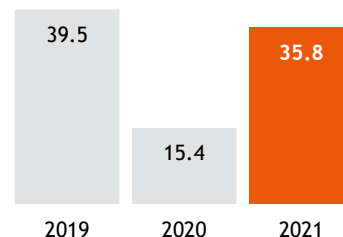
(2020: 0.0p)



Underlying profit before tax

£35.8m
+132.5%

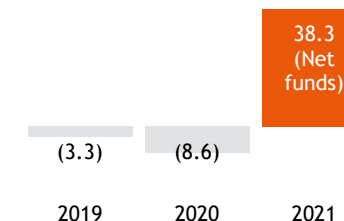
(2020: £15.4m)



Average net funds/(debt)

£38.3m
+545.3%

(2020: £(8.6)m net debt)

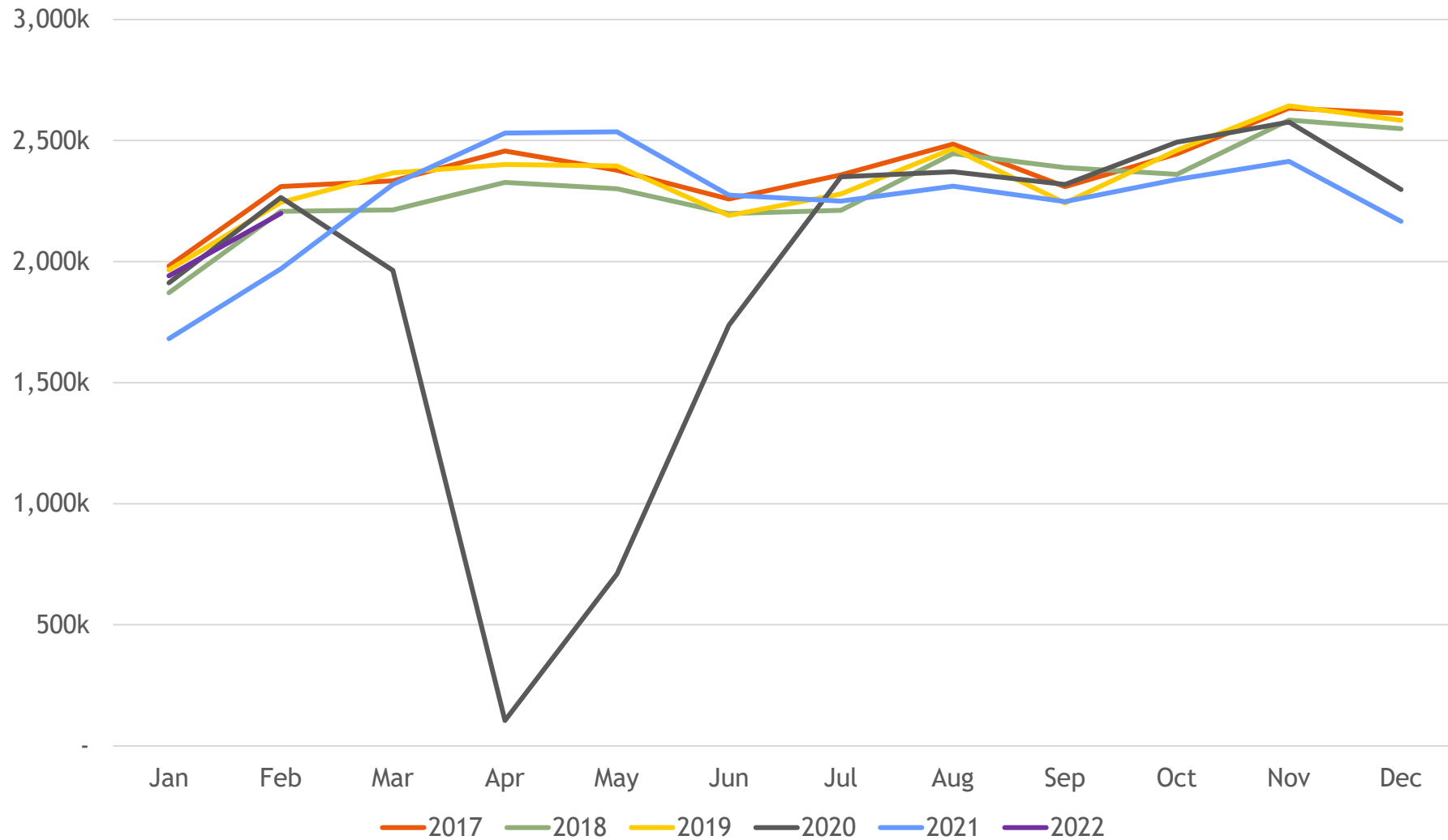


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Underlying is before non-underlying items, which includes i) amortisation of acquired intangible assets, ii) impairment of goodwill and intangible assets, iii) property disposal profit, iv) business restructuring costs, and v) impairment of property, plant and equipment and inventory (following a fire)

Average net funds / (debt) is calculated by aggregating the net funds / (debt) position, excluding the impact of IFRS 16 'Leases', for each business day and dividing by the total number of business days

UK DISTRIBUTION DAILY SALES*



*Calculated on a like-for-like basis, being based on activities and businesses that made a full contribution in both the current and previous year, and adjusted for any variances in working days

STRATEGY AND OPERATIONS



2021 OPERATIONAL HIGHLIGHTS

Significant progress made in implementing the business change strategy

Industry wide issues able to be largely mitigated

Inventory and product availability maintained

Price increases passed on and absorbed by the marketplace



Simplification of operations, including disposal of Belcolor

Network and delivery consolidations enacted

Belcolor disposed of allowing focus on growth opportunities



Business change strategy largely embedded, benefits evident

More efficient base, now focused on revenue growth

Success being demonstrated from growth projects



Good progress in developing ESG Strategy and associated oversight

Multiple actions, and new net zero ambition for 2035

2022 focuses: oversight, diversity, and community



Good progress towards stated 7.5% target underlying operating margin in 2023

BUSINESS CHANGE STRATEGY

Meaningful organic revenue growth from an efficient operating base

- Operational efficiency through simplification, cost control and digitalisation
- Actively targeting a larger share of the £3 billion* UK market
- Improved service propositions to customer segments

£3 billion* UK market

Trade customer segments



■ Good weighting ■ Underweight ■ Very underweight

*Source: LEK Consulting, 2020, calculated at distributors' selling price and inclusive of sales direct from manufacturers

STRATEGY IN ACTION

Benefits flowing through both operationally and financially



TRADE COUNTERS

Accelerating roll-out of new and improved sites nationwide



- Accelerating roll-out to grow network from 53 to 90 new and improved sites by 2025
- New 'blueprint' designed to meet needs of a broader range of customers:
 - Pre-ordered collections
 - Stocked products and self-pick
 - Own-branded product range exclusive to trade counter customers
 - Tools, accessories and workwear
 - Expert advice
 - Larger footprint
- Total investment of £18m
- Targeting revenue growth of c£120m (2021: £80m)

New 'blueprint' sites performing well

11 sites now operating under the new 'blueprint'

Positive feedback from customers and employees

Encouraging early performances:

- Higher revenue
- New account openings
- More orders per account
- Higher margin (due to changed product offering)

Dedicated team in place to support accelerating roll-out

9 new sites / relocations already scheduled for 2022, in addition to +11 refits

Good pipeline of prospective sites

MULTIPLE RETAILERS

Substantial scope to develop the revenue opportunity



New Customer: Oak Furnitureland

Specialist British furniture retailer with 70 stores across the UK

New customer since Q4 2021

Partnered with Headlam to launch their new engineered wood flooring proposition

Headlam sole supplier on a range of exclusive, premium engineered wood products after their customers expressed interest

Launched on Boxing Day 2021

New dedicated flooring areas within 4 stores

Scope to roll-out

- Headlam significantly underweight in this c £1 billion customer segment
- Dedicated team, tailored propositions, and digital support / enabling work in place
- Compelling service offering:
 - Product insight and exclusivity
 - Competitive pricing
 - Supply chain management
 - Stockholding / storage solutions
 - Processing and material-handling expertise
 - National distribution (any number of locations / frequency)
- Good progress winning initial orders with a number of new customers, substantial scope to grow

DIGITAL AND ECOMMERCE APPLICATIONS

Increasing revenue opportunities and efficiency



- Curated suite of digital products launched to provide competitive advantage
- Increasing revenue opportunities across different customer segments, and reducing overall cost to serve
 - B2B websites relaunched
 - New industry-leading app launched
 - Digital enabling work to support larger customers
 - Internal digitalisation
 - PIM (Product Information Management) / internal management performance measures
- Target of 30% of sales from digital channels (Jan 22: 22%; 2019: 11%)

myheadlam

Industry-leading fully transactional mobile app launched in November 2021

Enabling customers to trade with Headlam in a quick and easy way

- Access to all Headlam accounts ‘on the go’
- Search products
- Check real-time availability / prices
- Review order history
- Track live orders

Very positive customer feedback and take-up

- £1.4m sales via app since launch (Nov 2021)
- 1,600 customer registrations
- Further enhancements planned for 2022

PRODUCT AND BRAND DEVELOPMENT

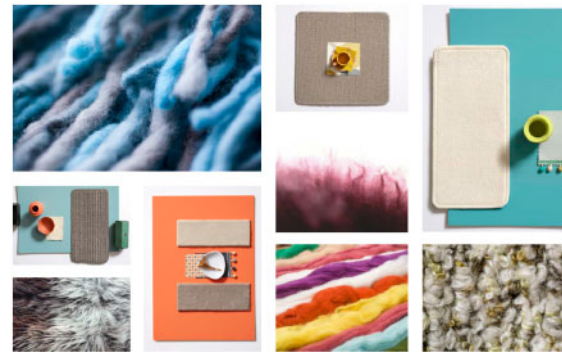
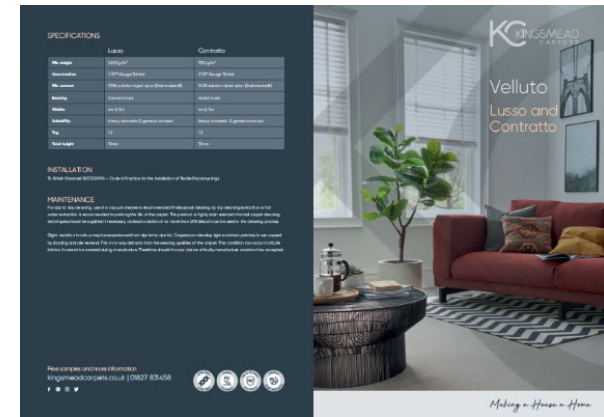
Refocusing of some recognised product brands

Refocus

- Investment in a dedicated team to support product and brand development
- Refocusing of some recognised product brands to keep them fresh and increase sales opportunity
- More brands to follow

Launch of sustainable 'Wool Britannia' product range

- Launched with the support of the British Wool Association, and very well received
- Two further launches expected in 2022
- Further trial blends being explored



SUPPLIERS AND BUYING

Long-established relationships, with many opportunities

Inventory Management

- Able to maintain inventory levels despite industry wide supply issues
- Testament to long-established relationships, and Headlam's scale
- Improved inventory management through automation

Sustainability

- Supply Risk Assessment underway
- Further sustainable product launches planned in conjunction with suppliers
- Discussions on end-of-life / recycling

Ranging

- More strategic and centralised ranging discussions
- Recent launch of two new own-brand products
- Joint business plans e.g. adhesive

Engagement

- Strategic partnership conversations
- Increased levels of engagement on terms, regulation, and supply chain efficiencies
- Supplier conference planned for 2022

Many opportunities available



INCOME STATEMENT

Income Statement	2021		2020 re-presented	
Continuing Operations	£M	%	£M	%
Revenue	667.2	100.0%	578.1	100.0%
Cost of sales	(446.7)	(67.0)%	(400.0)	(69.2)%
Gross profit	220.5	33.0%	178.1	30.8%
Distribution costs	(125.9)	(18.9)%	(113.9)	(19.7)%
Administrative expenses	(57.3)	(8.6)%	(46.8)	(8.1)%
Operating profit	37.3	5.6%	17.4	3.0%
Net finance costs	(1.5)	(0.2)%	(2.0)	(0.3)%
Underlying profit before tax	35.8	5.4%	15.4	2.7%
Non-underlying items	(8.2)	(1.2)%	(29.7)	(5.1)%
Statutory profit / (loss) before tax	27.6	4.1%	(14.3)	(2.5)%
Basic earnings / (loss) per share - continuing operations	23.5p		(20.7)p	
Basic earnings / (loss) per share - discontinued operations	5.3p		(3.4)p	
Interim dividend	5.80p		-	
Declared final dividend	8.60p		2.00p	
Declared special dividend	17.70p		-	

- Record gross margin of 33.0% (2020: 30.8%)
- Underlying operating margin of 5.6% (2020: 3.0%)
- £8.2m of non-underlying items, notably £7.3m write-down following fire at MCD Kidderminster (see page 20)

REVENUE MOVEMENT

Revenue				
Continuing Operations	£M	%	£M	%
2020 revenue:				
UK	504.7	87.3		
Continental Europe	73.4	12.7		
			578.1	100.0
UK incremental items:				
Like-for-like	82.5	16.3		
Change in working days	(2.0)	(0.4)		
Acquisitions	0.6	0.1		
			81.1	16.0
Continental Europe incremental items:				
Like-for-like	11.0	15.0		
Change in working days	(0.3)	(0.4)		
Translation effect	(2.7)	(3.7)		
			8.0	10.9
Total movement			89.1	15.4
2021 revenue:				
UK	585.8	87.8		
Continental Europe	81.4	12.2		
			667.2	100.0

- Both the UK and Continental Europe performed strongly against 2020
- 2020 impacted by COVID-19 related temporary closure of operations in H1 2020
- Strong residential sector performance since the impact of COVID-19, commercial has suffered, although recovered to a degree during 2021

UNDERLYING OPERATING PROFIT MOVEMENT

Operating Profit	Underlying	Non-underlying	Total
Continuing Operations	£M	£M	£M
2020 Operating profit	17.4	(29.6)	(12.2)
Gross margin changes:	42.4	-	42.4
Expense changes:			
Volume	(3.1)	-	(3.1)
Furlough grants	(11.0)	-	(11.0)
Bad debt provision	6.7	-	6.7
People costs (inc bonus due to outperformance)	(9.6)	-	(9.6)
Acquisitions	0.4	-	0.4
Other	(5.9)	21.4	15.5
Total increase	19.9	21.4	41.3
2021 Operating profit	37.3	(8.2)	29.1

- Stripping out 2020 furlough grants, expenses only increased £11.5m, with 2020 also having reduced expenses due to operations closures
- Benefits from business change strategy able to offset wage inflation and performance related bonus payments

NON-UNDERLYING ITEMS

Non-underlying items	2021	2020
Continuing Operations	£M	£M
Impairment of goodwill and intangibles	2.1	24.7
Amortisation of intangibles	1.6	1.6
Impairment of PPE and inventory (following fire)	7.3	-
Non-underlying non-cash items	11.0	26.3
Property disposal profit	(5.1)	-
Business restructuring costs	2.3	2.4
Acquisition related fees	-	0.7
GMP equalisation	-	0.3
Non-underlying cash items	(2.8)	3.4
Non-underlying items before tax	8.2	29.7

Fire at MCD Kidderminster

- Fire in December 21, building and inventory destroyed, no one hurt
- Operations quickly transferred, and normal customer ordering and deliveries within 4 days
- Temporary site opened in January 2022
- Write-down of £7.3m, insurance claim in progress, credit recognised in year claim closed

Other items

- £5.1m profit on disposal of two freehold properties under the network consolidation activities
- £2.3m business restructuring costs under change strategy, no further costs anticipated for 2022

CASH FLOW MOVEMENT

Cash Flow	2021 £M	2020 £M
Underlying EBITDA	56.4	40.4
Change in inventories	(26.6)	15.3
Change in receivables	(16.6)	23.2
Change in payables	5.4	(4.8)
Other	1.0	-
Cash generated from operations (underlying)	19.6	74.1
Interest and tax	(3.5)	(8.2)
Disposal proceeds (inc non-underlying)	16.2	0.1
Capital investment	(6.9)	(15.0)
Lease payments	(15.0)	(15.7)
Dividends	(6.6)	(6.3)
Non-underlying	(2.3)	(3.4)
Other	(0.5)	1.4
Net cash flow	1.0	27.0

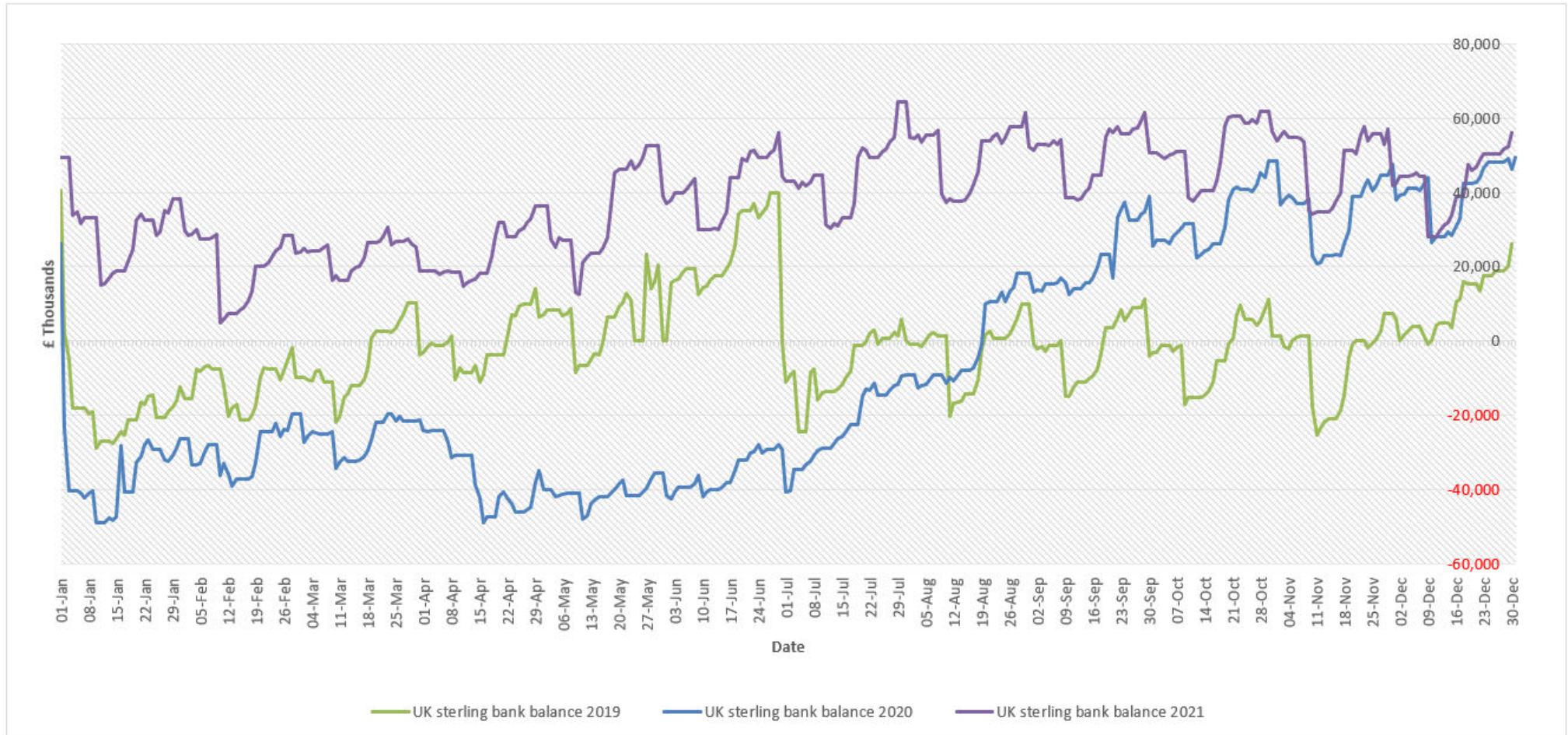
- Working capital outflow of £37.8m, inventories increased as trade returned to pre-pandemic levels
- Cash collections strong, normalisation in receivables and payables
- Disposal proceeds include two freehold properties (£7.0m) and Belcolor
- Dividends represents £1.7m nominal (paid May 21) and £4.9m interim (paid Nov 21)

BALANCE SHEET

Balance Sheet	Dec 2021 £M	Dec 2020 £M
Property, plant and equipment	113.3	122.9
Intangibles	18.1	21.1
Inventories	130.9	118.5
Trade and other receivables	114.0	101.6
Cash	61.2	60.8
Trade and other payables	(178.0)	(178.4)
Borrowings	(7.5)	(9.2)
Other assets and liabilities	(19.9)	(17.3)
Net Assets	232.1	220.0
Share capital and premium	57.8	57.8
Other reserves	(1.6)	3.4
Retained earnings	175.9	158.8
Total equity	232.1	220.0

- Banking facilities refinanced in January 2022, providing flexible capital structure
- £81.5m committed facilities maturing October 2026 (with one year extension option)
- Net funds excluding lease liabilities at Dec 21 of £53.7m (Dec 20: £51.6m)

UK STERLING NET DEBT DAILY BALANCES



DIVIDENDS AND SURPLUS CAPITAL RETURN



SHAREHOLDER RETURNS

Surplus return providing income and value creation

Capital Allocation Priorities*

Maintain strong balance sheet



Investment in the business



Ordinary dividend income



Potential M&A



Surplus capital return
(above current requirements and
other considerations)



Increased Investment

- Trade counter roll-out
- Replacing / upgrading warehouse equipment and MHE

Ordinary Dividends

- Total of 16.4p** in respect of 2021
- Pay-out per parameters

New/underweight Opportunities

- Product categories
- Customer segments

Special Dividend

- £15 million
- 17.7p per share
- Paid alongside final dividend

Share Buyback

- £15 million
- Completed within c12 months
- Value accretion

*See 2021 Annual Report for full detail on Capital Allocation Priorities

**Includes 2p nominal dividend paid in May 2021

ESG UPDATE



Tangible progress since initial report in 2021

Core focuses

- Reducing contribution to Greenhouse Gas ('GHG') emissions and climate change
- Becoming a more sustainable business, including through cultural development and increased oversight
- Increasing the sustainability of the overall industry through engagement and example, supporting the future transition to a circular economy

Current main actions

- More efficient delivery fleet (commercial vehicle) utilisation and associated reduction in fleet number
- Increasing availability of plug-in hybrid and low emission vehicles in non-commercial fleet (target 50% by end 2022)
- Promoting sustainable products into the marketplace
- Investing in and improving the support to its people, including through training, engagement, changes and improvements to rewards and benefits
- Supply Chain Risk Assessment being conducted by an independent party

Additional 2022 focuses

- ESG Committee
- Diversity, Equity and Inclusion (DEI) strategy development
- Locally focused community programme
- Continued supplier engagement, including on regulation, procurement charter, and Scope 3 re-assessment
- Net zero ambition for 2035 (Scope 1 and 2 emissions), development of costed transition plan

Full-form ESG Report published alongside 2021 Annual Report

POST YEAR-END AND CURRENT TRADING



POST PERIOD-END AND OUTLOOK

Confident in current expectations and delivery of strategy



Board Changes

- Chris Payne appointed permanent Chief Executive on 8 March 2022
- Search for new Chief Financial Officer underway
- Keith Edelman, SID, becoming Non-Exec Chairman at AGM in May 22, Philip Lawrence stepping down after 7 years
- New NED search also anticipated later in the year

Current Trading

- Trading in Jan and Feb 22 in line with plan
- Strong margin performance maintained

Outlook

- Confident in current expectations and delivery of strategy
- Inflationary environment may impact some end-consumer spending
- Revenue growth opportunities and commercial sector recovery would help mitigate any potential weakness

Q&A

